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25X1A2g

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Country: Brazil

Subject: Foreign Exchange/General Conditions/Coffee/Cotton/Cocoa

Place Acquired by Source: -----

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Source Description:

1. "Foreign Exchange: At present writing, Brazil has availed itself of the first \$60,000,000 under the \$300,000,000 Export-Import Bank unfreezing loan, and liquidations are currently in progress. The exchange is being allocated first to collections against which cruzeiro deposits have been made through 30 April 1953, secondly to collections without deposits, and lastly to open account items (no distinction being mentioned between accounts with deposits and those without). This deviation from the procedure followed heretofore, which has been to liquidate in chronological order by category according to the approval dates of the exchange applications without regard to the existence or non-existence of cruzeiro deposits, came as a general surprise. Reports from our branches indicate that as a result of this exchange distribution the "Fila" dates of approved exchange applications for preferential and first category collections meeting the 30 April deposit requirement have been advanced to around 10 May.
2. "Exchange offerings on the official market continued light, reflecting lack of interest by foreign coffee buyers. Free market transactions in Sao Paulo increased substantially during the month, including some cover for imports (automobile parts and accessories), but on the whole the market has not yet developed as expected, partly because many of the export products accorded the privilege of partial sale at free market rates have not been able to compete in international markets even with that advantage. The free market rate as of this writing is quoted at around Cr\$46 to the dollar compared with approximately Cr\$42 to the dollar early in May.
3. "Gold held for account of the National Treasury remained unchanged on 30 April from a year ago, but the published figures for Banco do Brasil balances held abroad on 30 April 1953 indicated debit balances totalling approximately \$85,346,865 at the official rate compared with credit balances totalling approximately \$24,589,997 on 30 April 1952.
4. "General Conditions: With the exception of certain northern areas, sales both at wholesale and retail appeared to be well maintained and local collections are generally satisfactory. Factory production in Sao Paulo has returned to normal upon settlement of the recent strikes in several important industries, but power shortages and lack of imported material still constitute problems. Money rates remain firm in anticipation of demand arising from liquidation of the collection backlog.

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5. "Coffee: Coffee prices sank a little more during the month in review, spot quotations in Santos on 19 May being as follow:

Santos style	Cr\$202.00 per 10 kilos
Santos style Rioey	Cr\$200.00 "
Type 4 without description	Cr\$196.00 "

"According to figures just released by the Associacao Comercial de Santos, the total coffee supply in Brazil on 30 April was 4,710,246 bags. Predominant opinion points to a carry-over of from 2 to 2½ million bags at the end of the current crop year on 30 June 1953. The new harvest is unofficially estimated at 17 million bags for all Brazil. Shipments out of Santos from 1 May to 16 May aggregated 163,653 bags, while for the current crop year, from 1 July 1952 to date [June 1953], loadings totalled 7,021,472 bags. In the same period last year the figures were 244,399 and 6,704,217 bags. Exports in April 1953 from Paranagua were 207,043 bags and from Rio 222,367. The corresponding figures for March from these two ports were 304,371 and 244,468 bags respectively. Coffee shipments for all of Brazil during the period 1 July 1952 to 30 April 1953 are reported to have been some 1,200,000 bags below the prior corresponding period.

6. "Cotton: During May the Government implemented its price support program for the present crop by authorizing ginnerers to process cotton for its account based on a price schedule for seed cotton of Cr\$80 per arroba (15 kilos) for type five adjustable according to grades. Since the support price does not make Brazilian cotton competitive in world markets under present conditions, there is no incentive for ginnerers to operate for their own account. The government also set up a plan for the sale of its stocks (consisting of the bulk of the 1952 crop) based on local spot prices for domestic sales but adjusted to New York future prices for foreign sales. Domestic mills have purchased under the arrangement but no foreign sales are reported, and the opinion has been expressed in export circles that some refinements will be required to make the plan workable for foreign sales.
7. "Cocoa: The Bahia cocoa mid-crop estimated at 800,000 to 1,000,000 bags is slow in reaching the hands of exporters. Many producers are said to be holding off for sale to cocoa butter manufacturers, who can pay higher prices, since they can sell 50% of their export proceeds in the free market.

		1952			1953		
		Feb.	Mar.	Apr.	Feb.	Mar.	Apr.
Banco do Brasil S.A.	(Mil.US\$)						
Gold		317	317	317	317	317	317
Net Foreign Exchange		40	9	25	-61	-50	-85
Total		357	326	342	256	267	232
Short-term Assets in US Bks.	(Mil.US\$)	118	100	99	83		
Paper Money in Circulation	(Bil.Cruz.)	34.1	33.7	33.5	38.1	38.4	
Collections Outstanding	(Mil.US\$)	117	143	161	202	205	208."

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